

February 18, 2010

VIA ELECTRONIC FILING

Ms. Jocelyn Boyd
Interim Chief Clerk Administrator
The Public Service Commission of South Carolina
Synergy Business Park
101 Executive Center Drive
Columbia, South Carolina 29210

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Also Admitted in SC

Re: Piedmont Natural Gas Company, Inc., Docket No. 2009-435-G

Dear Ms. Boyd:

On October 15, 2009, I filed a request on behalf of Piedmont Natural Gas Company, Inc. ("Piedmont") in the above-captioned docket seeking approval of a change in the manner by which Piedmont calculates and records lost and unaccounted for adjustments to its gas costs. This change involved the computation of monthly lost and unaccounted for volumes by comparing the actual volumes of gas purchased by Piedmont to the actual volumes of gas sold to Piedmont's customers during each month. As described in my original filing, this change in methodology will result in a more accurate calculation of the actual volumes of lost and unaccounted for gas experienced by Piedmont. This change also eliminates the need for an annual true-up of lost and unaccounted for volumes.

Following the filing of this request, Piedmont had several conversations with the Office of Regulatory Staff ("ORS") regarding Piedmont's proposal. While the ORS was supportive of Piedmont's adoption of a more accurate lost and unaccounted for methodology, it questioned whether Piedmont's GCRM tariff required revision as a result of this requested change and whether Piedmont's request should be more accurately characterized as a request for change in accounting treatment pursuant to Section III(e) of the GCRM tariff. On a separate but related issue, ORS also questioned whether Piedmont should seek express Commission approval for the inclusion of unbilled volumes in Piedmont's commodity and demand monthly gas cost true-up calculations in order to achieve a better matching of gas cost collections versus actual gas costs in the month they occur. Upon review of these matters, and further discussions with ORS, Piedmont has concluded that ORS is correct with respect to each of these matters. Accordingly, Piedmont hereby modifies and supplements its request in this proceeding by asking for Commission approval of:

- (1) The changes in lost and unaccounted for methodology described above and in Piedmont's original request in this proceeding;
- (2) Modification of Piedmont's GCRM tariff as shown on the attachment hereto; and
- (3) The inclusion of unbilled volumes in Piedmont's commodity and demand gas cost true-up calculations in order to more accurately match gas costs with collections.

It is Piedmont's understanding that ORS either supports or does not object to each of the requested authorizations and the proposed revisions to Piedmont's GCRM tariff.

Enclosed herewith are clean and red-lined versions of Piedmont's revised proposed Gas Costs Recovery Mechanism tariff incorporating changes necessary to adopt Piedmont's proposed revised lost and unaccounted for methodology (as well as to update the tariff for the adoption of the Rate Stabilization Act).

Piedmont respectfully requests Commission approval of these accounting and tariff changes at the Commission's earliest convenience to be effective as of October 1, 2009. This effective date is necessary and appropriate in order that the requested changes in accounting methodology for lost and unaccounted for quantities are synchronized with Piedmont's last annual true-up calculation – which was conducted in September, 2009.

Thank you for your assistance with this matter.

Sincerely,

Moore & Van Allen, PLLC

s/ Scott M. Tyler
Scott M. Tyler

Enclosures

c: Office of Regulatory Staff (5 copies)
Mr. David Carpenter
Ms. Pia Powers
Mr. Jim Jeffries

GCRM TARIFF

1. Definitions. The following definitions shall apply:

“Benchmark Commodity Cost of Gas” shall mean the Company’s estimate of the City Gate Delivered Cost of Gas for long-term gas supplies, excluding Demand Charges. The Benchmark Commodity Cost of Gas may be amended from time to time by the Company as provided for in this Gas Costs Recovery Mechanism (GCRM).

“City Gate Delivered Cost of Gas” shall mean the total delivered cost of gas to the Company at its city gate, including, but not limited to all commodity charges, demand charges, peaking charges, cost of propane, cost of LNG liquefaction/vaporization, surcharges, emergency gas purchases, over-run charges, capacity charges, customer charges, standby charges, reservation fees, gas inventory charges, minimum bill charges, minimum take charges, take-or-pay charges, take-and-pay charges, storage charges, service fees and transportation charges and any other charges of any kind whatsoever which are incurred by the Company in connection with the purchase, storage or transportation of volumes of gas by the Company.

“Commodity and Other Charges” shall mean all charges for the purchase of gas or for the transportation of gas other than Demand Charges.

“Demand Charges” shall mean all charges for the purchase of gas or the transportation or storage of gas which are not billed on the volume of gas actually purchased or transported by the Company.

“Tariff Sales” shall mean gas delivered to customers under a sales rate schedule of general applicability. Tariff sales excludes gas delivered under transportation rate schedules, special contracts, off-system or sales for resale transactions or other arrangements under which the gas is not billed under a sales rate schedule of general applicability.

II. Gas Costs Recovery Mechanism

In the event the Company anticipates a change in its “City Gate Delivered Cost of Gas,” the Company may increase or decrease its rates to its customers as follows:

A. Sales rates

1. Demand Charges

Whenever the Company anticipates a change in the Demand Charges, the Company may change its rates to customers under all rate schedules by an amount computed as follows:

- Prior Demand Charges
 And Storage Charges) X S.C. Portion*

 Sales and Transportation Volumes* = Increase (Decrease)
 Per Unit

2. Commodity and Other Charges

Whenever the Benchmark Commodity Cost of Gas is changed, the Company may change the rates to its customers purchasing gas under all of its sales rate schedules by an amount computed as follows:

Volumes of gas purchases for system supply* X
 (New Benchmark Commodity Cost of Gas –
 Old Benchmark Commodity Cost of Gas)
 X S.C. Portion*

 Volumes of gas purchased for = Increase (Decrease)
 System Supply* (less Company Use* and Per Unit
 Unaccounted For*) X S.C. Portion*

*Established by Commission in the Company's last general rate case or Rate Stabilization Act proceeding.

B. Transportation Rates

Firm and/or interruptible transportation rates shall be computed on a per unit basis by subtracting the per unit Commodity and Other Charges from the applicable firm or interruptible sales rate schedule exclusive of any increments or decrements.

C. Other Changes in Purchased Gas Costs

The purpose of this GCRM is to permit the Company to recover the applicable actual cost of gas from its tariff customers. If, at any time, it should appear that the computations required under this GCRM do not accomplish that purpose, the Company may use a different method to compute changes in its rates; however, any such changes shall not be effective until approved by the Commission.

III. Monthly True up of Gas Costs

A. Demand Charges

On a monthly basis, the Company shall determine the difference between (a) the Demand Charges recovered and (b) the Company's actual Demand Charges incurred for South Carolina determined by the ratio of South Carolina tariff sales volumes to the combined total of North Carolina and South Carolina tariff sales volumes. This difference shall be placed in the Company's Deferred Account No. 253.

B. Commodity and Other Charges

On a monthly basis, the Company shall determine with respect to gas sold during the month the per unit difference between (a) the Benchmark Commodity Cost of Gas included in the Company's most recently approved GCRM and (b) the actual Commodity and Other Charges incurred for South Carolina. This difference shall be placed in the Company's Deferred Account No. 253.

C. Supplier Refunds and Direct Bills

In the event the Company receives supplier refunds or direct bills with respect to gas previously purchased, the amounts of such supplier refunds or direct bills applicable to South Carolina shall be placed in the Company's Deferred Account No. 253.

D. Interest on Deferred Account 253

The Company shall compute interest on the Deferred Account as directed by the Commission.

E. Other

(a) The Company shall file with the Commission a monthly report of the deferred account. The report shall identify the cost of gas reduction related to capacity released.

(b) Periodically, the Company may file to adjust its rates to refund or collect the balance in the deferred account. Increments and/or decrements shall apply across the board to all sales rate schedules unless the Commission specifically approves otherwise.

(c) The Company is permitted to negotiate rates to certain customers to meet the prices of competitive fuels or otherwise to avoid losing these customers. To permit the Company to make sales to these tariff customers without suffering a loss of margin, the

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Company shall record the sales and transportation negotiated losses in the deferred account.

(d) Reserved for future use.

(e) The operation of this GCRM and the related Deferred Account can be modified as necessary to accommodate rulings of the Commission that affect its operation as herein defined. For example, recording the WNA balance in the Deferred Account as authorized by the Commission.

IV. Notice to the Commission

The Company shall file with the Commission at least 15 days prior to the date on which any change in its existing rates is to become effective as a result of the GCRM a computation of the rate adjustment and a single rate sheet, entitled "GCRM _____," containing the following information:

<u>Rate Schedule</u>	<u>Present Rate</u>	<u>Current Adjustment</u>	<u>Rate after Current Adjustment</u>
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RED-LINED GCRM TARIFF

1. Definitions. The following definitions shall apply:

“Benchmark Commodity Cost of Gas” shall mean the Company’s estimate of the City Gate Delivered Cost of Gas for long-term gas supplies, excluding Demand Charges. The Benchmark Commodity Cost of Gas may be amended from time to time by the Company as provided for in this Gas Costs Recovery Mechanism (GCRM).

“City Gate Delivered Cost of Gas” shall mean the total delivered cost of gas to the Company at its city gate, including, but not limited to all commodity charges, demand charges, peaking charges, cost of propane, cost of LNG liquefaction/vaporization, surcharges, emergency gas purchases, over-run charges, capacity charges, customer charges, standby charges, reservation fees, gas inventory charges, minimum bill charges, minimum take charges, take-or-pay charges, take-and-pay charges, storage charges, service fees and transportation charges and any other charges of any kind whatsoever which are incurred by the Company in connection with the purchase, storage or transportation of volumes of gas by the Company.

“Commodity and Other Charges” shall mean all charges for the purchase of gas or for the transportation of gas other than Demand Charges.

“Demand Charges” shall mean all charges for the purchase of gas or the transportation or storage of gas which are not billed on the volume of gas actually purchased or transported by the Company.

“Tariff Sales” shall mean gas delivered to customers under a sales rate schedule of general applicability. Tariff sales excludes gas delivered under transportation rate schedules, special contracts, off-system or sales for resale transactions or other arrangements under which the gas is not billed under a sales rate schedule of general applicability.

II. Gas Costs Recovery Mechanism

In the event the Company anticipates a change in its “City Gate Delivered Cost of Gas,” the Company may increase or decrease its rates to its customers as follows:

A. Sales rates

1. Demand Charges

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Whenever the Company anticipates a change in the Demand Charges, the Company may change its rates to customers under all rate schedules by an amount computed as follows:

$$\frac{\begin{array}{l} \text{(Total Anticipated Demand Charges} \\ \text{- Prior Demand Charges} \\ \text{And Storage Charges) X S.C. Portion*} \end{array}}{\text{Sales and Transportation Volumes*}} = \begin{array}{l} \text{Increase (Decrease)} \\ \text{Per Unit} \end{array}$$

2. Commodity and Other Charges

Whenever the Benchmark Commodity Cost of Gas is changed, the Company may change the rates to its customers purchasing gas under all of its sales rate schedules by an amount computed as follows:

$$\frac{\begin{array}{l} \text{Volumes of gas purchases for system supply* X} \\ \text{(New Benchmark Commodity Cost of Gas -} \\ \text{Old Benchmark Commodity Cost of Gas)} \\ \text{X S.C. Portion*} \end{array}}{\begin{array}{l} \text{Volumes of gas purchased for} \\ \text{System Supply* (less Company Use* and} \\ \text{Unaccounted For*) X S.C. Portion*} \end{array}} = \begin{array}{l} \text{Increase (Decrease)} \\ \text{Per Unit} \end{array}$$

*Established by Commission in the Company's last general rate case or Rate Stabilization Act proceeding.

B. Transportation Rates

Firm and/or interruptible transportation rates shall be computed on a per unit basis by subtracting the per unit Commodity and Other Charges from the applicable firm or interruptible sales rate schedule exclusive of any increments or decrements.

C. Other Changes in Purchased Gas Costs

The purpose of this GCRM is to permit the Company to recover the applicable actual cost of gas from its tariff customers. If, at any time, it should appear that the computations required under this GCRM do not accomplish that purpose, the Company may use a different method to compute changes in its rates; however, any such changes shall not be effective until approved by the Commission.

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A. Demand Charges

On a monthly basis, the Company shall determine the difference between (a) the Demand Charges recovered and (b) the Company's actual Demand Charges incurred for South Carolina determined by the ratio of South Carolina tariff sales volumes to the combined total of North Carolina and South Carolina tariff sales volumes. This difference shall be placed in the Company's Deferred Account No. 253.

B. Commodity and Other Charges

On a monthly basis, the Company shall determine with respect to gas sold during the month the per unit difference between (a) the Benchmark Commodity Cost of Gas included in the Company's most recently approved GCRM and (b) the actual Commodity and Other Charges incurred for South Carolina. This difference shall be placed in the Company's Deferred Account No. 253.

C. Supplier Refunds and Direct Bills

In the event the Company receives supplier refunds or direct bills with respect to gas previously purchased, the amounts of such supplier refunds or direct bills applicable to South Carolina shall be placed in the Company's Deferred Account No. 253.

D. Interest on Deferred Account 253

The Company shall compute interest on the Deferred Account as directed by the Commission.

E. Other

(a) The Company shall file with the Commission a monthly report of the deferred account. The report shall identify the cost of gas reduction related to capacity released.

(b) Periodically, the Company may file to adjust its rates to refund or collect the balance in the deferred account. Increments and/or decrements shall apply across the board to all sales rate schedules unless the Commission specifically approves otherwise.

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(c) The Company is permitted to negotiate rates to certain customers to meet the prices of competitive fuels or otherwise to avoid losing these customers. To permit the Company to make sales to these tariff customers without suffering a loss of margin, the Company shall record the sales and transportation negotiated losses in the deferred account.

(d) ~~_____ The Company will true-up the Gas Costs associated with company use and unaccounted for volumes annually. Reserved for future use.~~

(e) The operation of this GCRM and the related Deferred Account can be modified as necessary to accommodate rulings of the Commission that affect its operation as herein defined. For example, recording the WNA balance in the Deferred Account as authorized by the Commission.

IV. Notice to the Commission

The Company shall file with the Commission at least 15 days prior to the date on which any change in its existing rates is to become effective as a result of the GCRM a computation of the rate adjustment and a single rate sheet, entitled "GCRM _____," containing the following information:

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached documents are being served this date via email and UPS Overnight (5 copies) upon:

Florence P. Belser
Office of Regulatory Staff
1401 Main Street
Suite 900
Columbia, South Carolina 29201
fbelser@regstaff.sc.gov

And that a copy of the attached documents are being served this date via email and U.S. Mail upon:

David Carpenter
Managing Director Regulatory Affairs
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233
david.carpenter@piedmontng.com

Pia Powers
Manager, Regulatory Affairs
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233
pia.powers@piedmontng.com

This the 18th day of February, 2010.

s/ Scott M. Tyler
Scott M. Tyler